

Property Improvement Loan Insurance (Title I)

Federal insurance of loans to finance property improvements.

Nature of Program: FHA insures loans to finance improvements, alterations, and repairs of individual homes, apartment buildings, and nonresidential structures, as well as new construction of nonresidential buildings. Loans on single family homes (except manufactured homes) and nonresidential structures may be for up to \$25,000 and may extend to 20 years. Loans on apartment buildings may be as high as \$12,000 per unit, but the total for the building cannot exceed \$60,000, and the loan term cannot exceed 20 years. These are fixed-rate loans, for which lenders charge interest at market rates. The interest rates are not subsidized by FHA, although some communities participate in local housing rehabilitation programs that provide reduced-rate property improvement loans through Title I lenders. A loan on a manufactured home that is classified as real property may be up to \$17,500 and loans on other manufactured homes are limited to \$7,500. FHA insures private lenders against the risk of default for up to 90 percent of any single loan. The annual premium for this insurance is \$1 per \$100 of the amount advanced; although this fee may be charged to the borrower separately, it is sometimes covered by a higher interest charge.

Applicant Eligibility: To be eligible for a property improvement loan (other than a manufactured home improvement loan), the borrower must have at least a 50 percent ownership in the property to be improved. To be eligible for a manufactured home improvement loan, the borrower must have at least a 50 percent interest in the manufactured home, and the home must be the principle place of residence of the borrower.

Legal Authority: Section 2 of Title I of the National Housing Act (12 U.S.C. 1703). Regulations are at 24 CFR part 201.

Administering Office: Assistant Secretary for Housing-Federal Housing Commissioner, U.S. Department of Housing and Urban Development, Washington, DC 20410.

Information Sources: Administering office.

On the Web: <http://portal.hud.gov/hudportal/HUD?src=/hudprograms/pili>

Current Status: Active.